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INDOCHINA FOOD PRODUCTION

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CENTRAL INTELLIGENCE AGENCY
WASHINGTON, D.C. 20505

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CTA/OLK/S-07403-15

28 May 1975

MEMORANDUM FOR: Robert D. Barry
Foreign Demand and Competition Division
US Department of Agriculture

SUBJECT : Indochina Food Production

1. The attached is in response to your request for comments on your 14 May 1975 memorandum entitled, "Reply to Deputy Assistant Secretary Richard Bell's Query on Indochina's Capacity for Self-Sufficiency in Food and Exports of Rice." (We are also forwarding two copies of the Indochina Atlas under separate cover as you asked.) As you can see, we are more pessimistic on Indochina's food supplies over the next several years, particularly in Cambodia.

2. We recognize the need for a continuing dialogue on the subject of Indochina food balances. Should you wish to pursue any issues arising from this reply, please contact or me.

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Attachment:
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Critique of USDA Paper on
Indochina Rice Production

A Department of Agriculture memorandum of 14 May 1975 prepared by Robert D. Barry and titled, "Reply to Deputy Assistant Secretary Richard Bell's Query on Indochina's Capacity for Self-Sufficiency in Food and Exports of Rice," describes certain features of changing food production in Indochina during 1975-76. We find two central propositions of this piece with which we disagree. We do not believe that South Vietnam, Cambodia, and Laos will all reach self-sufficiency in rice production* by the 1975-76 harvest this autumn. Moreover, it will take several years of sustained production and improved domestic distribution before substantial exports are expected.

South Vietnam

South Vietnam has the best chance for reaching self-sufficiency and producing an export surplus in this time frame. If previous production estimates are accurate, the country has had a surplus against human needs for the last several years; imports during this period were required largely for government market intervention and to compensate for distribution problems in urban areas and excessive animal feed consumption on farms. Fertilizer stocks are reportedly adequate for

*Self-sufficiency in this case is measured against per capita human consumption of 150-180 kilograms annually.

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one more crop, and the end of the war has made additional labor and formerly insecure lands available for cultivation.

Complicating estimates of sustained self-sufficiency and an exportable surplus are uncertainties about the new, Communist government's intentions for reorganizing the economy along socialist lines. Little is known about the regime's specific plans, but a reform of the profit-oriented, free market system to which the Vietnamese peasant has been so successfully conditioned in recent years is likely. Some of the features of such changes might be extensive state control of the rice trade, including setting of all farm and retail prices and possibly rationing; collectivization of farm production; and state supply of farm inputs. These measures would, at least in the short term, tend to depress output until incentives other than profit were devised and took hold.

Notwithstanding fairly large fertilizer stocks, the government may face problems in distributing chemicals and in encouraging their use. If free market prices are used for allocation, farmers fearful of future market uncertainties may be unwilling to invest heavily in relatively expensive inputs; if the government controls distribution of inputs, it is unlikely that they would be allocated as efficiently. In either case, yields will suffer.

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-2-

Agricultural output will also be constrained by the relatively high level of mechanization to which Delta farmers have become accustomed. Tractors, pumps, and other machinery had been imported from non-Communist suppliers; and, until new trade relations are developed, the lack of spare parts will be a problem. Agricultural machinery will also demand a substantial allocation of imported fuel supplies. Finally, heavy slaughtering just prior to the Communist takeover decreased the number of draft animals available to supplement machinery.

Besides capital input problems, the regime may have difficulty organizing labor to bring land into production in time for the next harvest. Hundreds of thousands of refugees who fled the countryside prior to the Communist takeover will have to be returned to their farms or new lands. Demobilized military now in cities will have to be moved to the countryside. New lands will have to be plowed but, as noted above, adequate machines and draft animals may not be available. In areas that have been disused for any period, irrigation facilities will need cleaning, repair, or replacement. Since the bulk of field preparation and sowing for the upcoming autumn crop must be done in May-July, it seems unlikely that major additions to output this year will come from increased land and labor.

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Cambodia

The new Communist government in Cambodia has clearly indicated its priority economic target is agriculture. Besides numerous press statements to this effect, a principal purpose of the recent forced migration of some 3 million urban residents to the countryside was to restore abandoned farmland to production. Nevertheless, it is highly unlikely that Cambodia will be able to achieve rice self-sufficiency -- much less exports -- by 1977. The planting season begins later this month, and the government will be hard pressed to supply basic tools, seed, and fertilizer for timely preparation of fields. In addition, some farmers would likely reduce production in response to any large-scale collectivization program. These factors could limit the coming harvest to last year's level of about 1 million tons of milled rice. At current consumption rates, the country would require another 200,000-300,000 tons to meet domestic needs in 1976. Beyond next year, a substantial increase in output -- upwards of 35 percent -- would be needed to achieve self-sufficiency by the end of the decade. This would demand favorable weather conditions, large amounts of fertilizer, and restoration of the country's irrigation system.

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Laos

It is somewhat premature to assume Laos will have little difficulty in supplying its food needs from domestic sources. Yields are among the lowest in the world; and any significant improvement requires large-scale investment in irrigation facilities, more modern farming techniques, and fertilizer inputs. The woefully inadequate transportation system also needs to be upgraded. Because of poor roads, surplus rice from southern Laos is sold in neighboring Thailand, while rice deficit areas in the north must import an average of 50,000-60,000 tons each year.

Some steps could be taken to reduce this dependency on imports, but these would impact negatively on living standards of the already hard-pressed urban population. Consumption levels could be cut back by maintaining currently high prices -- rice prices alone have risen by almost 50 percent in the past two months -- or by instituting a food rationing program.* Such actions would almost certainly prompt civil disturbances; soaring prices were a major factor in recent unrest in Vientiane, Pakse, and Savannakhet.

To boost domestic production, the government could also forcibly relocate part or all of the estimated 400,000-500,000 urban population to the countryside; but problems similar to those in Cambodia limit the effectiveness of such a move.

*To eliminate entirely food imports, consumption throughout the country would have to be reduced by some 15-20 percent.

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For the immediate crop year, these include inadequate time for optimum field preparation, and shortages of basic tools, seed, and fertilizers. In addition, land suitable for cultivation is limited, although proper irrigation equipment and large amounts of fertilizer could open up new areas. Beyond next year, self-sufficiency in food output also requires incentives for the majority of Lao farmers, who traditionally produce at only a subsistence level.

North Vietnam

North Vietnam's food imports have ranged within 600,000-800,000 tons per year for the past several years, except in 1974 when they rose to nearly 1.5 million tons as a result of a serious shortfall in the 1973 autumn harvest. Of its total food imports, however, rice has typically accounted for less than 25 percent. Soviet wheat flour has been the dominant item, followed by rice, corn, and soybeans from China and sugar from Cuba.

North Vietnam will continue to be a food deficit area until the mid-1980s. Import requirements would drop from this year's expected level of about 750,000 tons to some 300,000 tons in 1980 if you assume:

- a 2 percent average annual growth in population;
- no increase in individual rations; and
- a 5 percent average growth in output.

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-6-

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